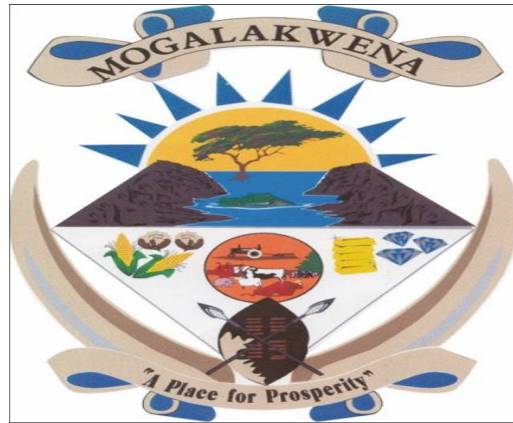


ANNUAL BUDGET OF MOGALAKWENA LOCAL MUNICIPALITY



2011/12 TO 2013/14

**DRAFT MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

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Part 1 – Annual Budget

1.1 Mayor's Report

The Mayor will present his report separately in the council meeting of _____ 2011.

The speech will be attached to the minutes of the council meeting.

1.2 Council Resolutions

- The provisional draft 2011/12 to 2013/14 Medium Term Revenue and Expenditure Framework was submitted to council for approval (Item 33 Agenda EC 16 March 2011) and the following resolutions were reached:
 - a) the provisional draft 2011/12 to 2013/14 budget attached as Annexure A and B (pages 700 to 739) to the executive committee agenda dated 16 March 2011, be approved.
 - b) It be noted that there will be no changes between what is submitted to council in terms of the provisional draft budget and the final draft budget to be sent to council before the end of March 2011.
 - c) It be noted that the final 2011/12 to 2013/14 Medium Term Revenue and Expenditure Framework as per circular 54 and 55 and as captured in the treasury schedules will be submitted to council, together with all the tariffs and budget related policies, before the end of March 2011.
 - d) It be noted that the IDP/ Budget roadshows will commence immediately after the tabling of the provisional draft Medium Term Revenue and Expenditure Framework o council.
- The final budget related resolutions will be part of the budget document after the approval of the budget.
- The municipal manager will send the approved documentation to the national and provincial treasury.

1.3 Executive Summary

The municipality's priorities and linkages to the Integrated Development Plan

The political priorities of Mogalakwena municipality are as follows:

- Roads and Storm water
- Water and Sanitation

- Electricity
- Land and Cemeteries
- Institutional Arrangements
- LED
- Solid Waste and Environmental Management
- Housing
- Health and Social Welfare
- Crime and Prevention
- Education
- Communication
- Sports, Arts and Culture
- Community Facilities
- Transport

Mogalakwena is responsible for the provision of the following services to 75313 households:

- Water and Sanitation
- Roads and Storm water
- Refuse Removal
- Electricity Distribution

The priorities are linked to the IDP as outlined on the detailed Capital Investment Programme from 2011/12 to 2013/14.

Key amendments to the Integrated Development Plan

Section 25 of MSA requires that each Municipal Council must adopt a single, inclusive and strategic plan for the development of the municipality. This plan must link, integrate and co-ordinate plans and it should take into account proposals for the development of the municipality.

Section 34 provides that the IDP must be reviewed annually and amended if necessary. It is clear from the budget that stringent budget control must be implemented in order to sustain the viability of the municipality.

Alignment with national, provincial and district priorities

The priorities of Mogalakwena municipality were aligned with that of national, provincial government and the district municipality which are access to portable water for all by 2014, access to basic sanitation at RDP level by 2014, electricity to all households by 2014.

Strategic priorities:

The following key strategic priorities for the municipality shall provide direction to the planning and implementation process as well as to inform the operations of the municipality:

- Development of institutional capacity and efficient financial management geared for the entire municipality;
- Facilitation of access to land to ensure sustainable land use management for the entire municipality;
- Fostering of community participation and ownership of municipal programmes through effective communication;
- Strengthening the co-ordination of governance structures and facilitate sound intergovernmental relations.

Key demographic, economic and other assumptions

Demographic overview

Mogalakwena Local Municipality contains over 50% of the Waterberg District Municipality's total population that is estimated at approximately 557 896 in 2001 and 596 094 in 2007 respectively. This is an increase of about 38 198. However, estimates for Mogalakwena population size vary. Most recent estimates are based on the 2007 Community Survey by StatsSA.

According to these figures the total population of Mogalakwena Municipality adds up to 330 644 persons at 75313 households. The average household is home to 4,4 persons. Many households are home to more than ten persons. It should, however, be noted that the population size of the municipality could be more than the number of people indicated as many people live on farms throughout the area. The area population changes with the seasons, since many residents migrate to work elsewhere. The annual population growth rate is estimated at 1,4% which represents the average provincial population growth rate.

The following table indicates the projected population by age and gender, 2010:

	0 - 4 YRS	5 - 14 YRS	15 - 34 YRS	35 - 64 YRS	65+ YRS	TOTAL
MALE	18 306	43 263	59 847	32 616	7 711	161 743
FEMALE	20 390	40 936	60 466	43 539	17 653	190 695
TOTAL	38 696	84 199	120 313	76 155	25 364	339 968

Economic overview

Community survey: by municipality, gender and income category:

	MALE	FEMALE
No income	67 555	79 127
R1 – R400	42 927	46 455
R400 – R800	8 733	12 561
R801 – R1600	18 740	25 417
R1601 – R3200	6 138	2 504
R3201 – 6400	3 988	2 758
R6401 – 12800	2 936	3 602
R12801 – R25600	1 344	427
R25601 – R51200	96	79
R51201 – R102400	30	119
R102401 – R204800	85	0
R204801 or more	243	85
Response not given	1 290	1 193
Institutions	1 038	1 184

Community survey by municipality, gender and employment:

	MALE	FEMALE
Employed	30 121	22 698
Unemployed	14 335	16 601
Not economic	43 150	59 600
Unspecified	1 148	1 146
Institutions	730	742

Other assumptions

There was a recession in the previous year and we are currently still not out. NERSA has indicated an average increase of 26.71%.

Progress with provision of basic services

Access to services

Service	No of households having services	Backlog
Water (RDP level)	74 892	2 249
Electricity	68 636	7 673
Refuse removal	41 769	10 663
Rural Sanitation	12 758	37 610

Indigent welfare packages for 2011/12:

Package Indigent	Compilation for	10/11 R(Vat excluded)	11/12 R(Vat excluded)
Rates – R100 000 Valuation		35.82	37.97
Refuse (up to 500 m2)		32.61	34.57
Sewage (up to 500 m2)		16.68	17.68
Electricity – 50kwh		30.50	31.50
Water – 6kl		40.77	43.62
Total indigent package per month		156.38	165.34

Free and subsidized services provided to the following number of households:

Water	1 982
Electricity	1 982
Sanitation	1 982
Refuse Removal	1 982
Rural Sanitation	1 982
Rates	1 982

It should be noted that from the 2011/12 financially year onwards, only indigents will still receive the 50kwh of free basic electricity due to financial constraints.

Service charges and other fees and charges

Service	% increase
Water	7
Electricity	20.38
Refuse removal	6
Property rate	6
Sewerage	6

The effect of the annual budget

The demand on the municipality in terms of service delivery is increasing and that is eating up on the resources at the disposal of the municipality. This is having a negative effect on the budget.

The municipality has budgeted 8% for salary increases in the 2011/12 financial year, however the increase will be CPI plus 2% as per SALGBC. The impact from the results of SALGBC's job evaluation is unknown at this stage.

The following table is a summary of the total budget:

Total expenditure	545,928,258	600,798,412	672,444,702
Total operating income	(697,924,498)	(808,858,955)	(877,323,135)
Changes in net assets	151,996,240	208,060,543	204,878,433
Total operating (surplus)/ Deficit	-	-	-

Past performance and impact of the previous year's audited results and annual report

Mogalakwena municipality obtained an unqualified audit opinion from the Auditor General in the 2009/10 financial year. The municipality has been addressing the matters of emphasis as contained in the audit report in order to ensure that the unqualified audit opinion will be sustained.

Consolidated financial position and summary medium term revenue and expenditure strategy

In future it will be difficult to become a sustainable municipality due to additional financial responsibilities being placed on the municipality. Some legislation imposes additional financial obligations on the municipality without additional income being provided.

1.4 Operating Revenue Framework

1.4.1 Grant allocations

The Division of Revenue Bill allocations to Mogalakwena Municipality are as follows:

Grant allocations over the MTREF

Grant type	2011/2012	2012/2013	2013/2014
	(R'000)	(R'000)	(R'000)
Equitable Share	225 142	249 257	265 591
Finance Management Grant	1 250	1 500	1 500
Municipal Infrastructure Grant	113 222	137 668	145 239
Municipal Systems Improvement Grant	790	800	900
Neighborhood	28 000	12 000	5 000

Development Grant			
Department of Water Affairs Subsidy Grant	11 144	6 079	5 000
Department of Water Affairs Regional Bulk Grant	40 000	76 700	80 000
Department of Energy	6 000	-	-

Supporting **Table SA 18, 19 and 20** is attached as pages _____ to _____.

1.4.2 Summary of Operating Income

The following table gives a breakdown of the income categories for the 2011/12 financial year:

Description	Medium-Term Revenue & Expenditure Framework		
	2011/12	2012/13	2013/14
Operating Income			
Property rates	38,233,139	40,527,180	43,958,811
Sale of electricity	156,671,265	187,076,365	224,437,673
Sale of water	36,311,718	38,495,996	40,802,056
Sewerage	11,174,655	11,845,509	12,555,730
Refuse	10,031,373	10,633,255	11,271,252
Rent facilities and equipment	778,735	795,459	813,185
Interest earned – external investments	10,883,221	10,000,000	11,500,000
Interest earned – outstanding debtors	2,157,100	2,286,526	2,423,718
Dividends received	-	-	-
Fines	1,307,538	1,385,651	1,468,821
Licenses and permits	60,000	65,000	68,900
Income for agency	6,633,990	6,993,929	7,371,565
Operating grants and subsidies	232,679,506	247,318,458	260,436,001
Capital grants and subsidies	182,940,830	242,038,750	248,468,400
Other income	2,123,572	2,286,885	2,445,139
Public contributions and donations	1,937,856	2,109,992	2,301,884
Gain on disposal of Prop, Plant & Equipment	4,000,000	5,000,000	7,000,000
Total Operating Income	697,924,498	808,858,955	877,323,135

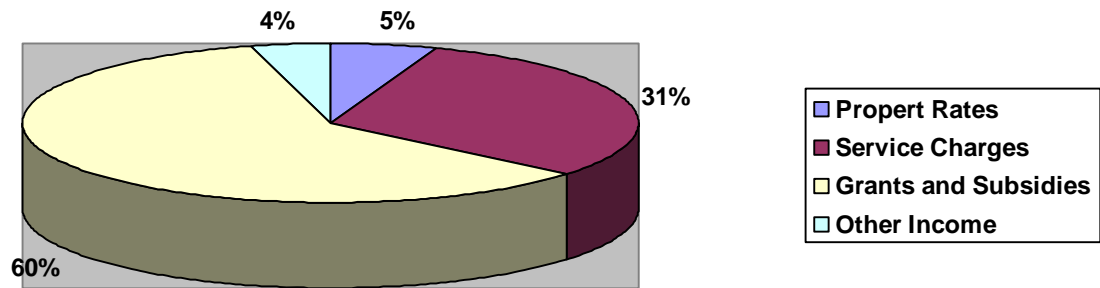


Figure 1 -Main Operational Income Categories

1.4.3 Rates tariffs and other charges

Proposed tariff increases for the 2011/12 to 2013/14 financial years with prior comparatives are the following:

Description	2010/11	2011/12	2012/13	2013/14
Rates	6%	6%	6%	6%
Refuse	6%	6%	6%	6%
Sewerage	6%	6%	6%	6%
Water	7%	7%	7%	7%
Electricity	19%	20.38%	16.16%	16.16%
Average Increase	8.80%	9.08%	8.23%	8.23%

- The electricity tariff increase for the 2011/12 financial year and the tariffs for 2012/13 and 2013/14 are provisional and are subject to approval by NERSA.
- The water tariff increase for the 2011/12 financial year and the tariffs for 2012/13 and 2013/14 are provisional and are subject to the increase by Lepelle Northern Water

1.4.3.1 Water tariff

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of water supply for 2011/12 financial year:

- The Lepelle Northern Water (LNW) has resolved to increase their tariffs by 10.2% in 2011/12 financial year.
- The LNW 10.2% increase on its bulk tariff from 3.98c to 4.39c per kl (excluding VAT and the Water Research commission levy).

- It is estimated that water to the amount of R18 191 250.00 will be purchased from LNW and other service providers.

A total revenue of R36 311 718.00 is expected from water sales.

- The budgeted revenue is based on connection fees, defaulting fees, monthly consumption of water and testing of meters;
- Households will receive 6kl of free basic water;
- Consumers in villages will receive Free Basic Water through assistance from council to pay Eskom, repair broken boreholes and pay pump operators.

The following recommended tariff structure for water for 2011/12 compared to 2010/11:

Type Consumer	Type Scale	Intervals	10/11	11/12
			Per Kilolitre Vat Exclusive	Per Kilolitre Vat Exclusive
Domestic:	Gliding scale	00 – 6 kl	0.00	0.00
		6 – 10 kl	6.79	7.27
		11 – 50 kl	7.22	7.73
		51 – 100 kl	8.67	9.28
		101 > kl	14.43	15.44
Businesses:	Normal		7.22	7.73
Flats:	Normal		7.22	7.73
Industrial:	Normal		7.22	7.73
Provincial Hospitals	Normal		6.79	7.27
Schools Churches Hostels Sport clubs	Normal		7.22	7.73
Departmental	Normal		7.22	7.73
Defaulting	Normal		228.98	245.01

The above-mentioned tariffs are subject to a 20% discount for unpurified borehole water as drinking water supplied to Rebone Township.

Prepaid tariffs will be calculated when pre-paid water meters are installed.

Examples of monthly water consumption charges:

Consumption KL	Current monthly account	Proposed monthly account	Additional amount payable	Increase
	R	R	R	R
6	0	0	0	0
10	27.18	29.08	1.9	7%
42	258.29	276.44	18.15	7%
75	532.75	570.28	37.53	7%
110	893.76	956.68	62.92	7%

1.4.3.2 Sewage tariff

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of sewage for 2011/12:

- A tariff increase of 6% is included in the draft 2011/12 MTREF.
- The free basic sanitation is provided for indigents only.

The following recommended tariff structure for sewage for 2011/12 compared to 2010/11:

		10/11			11/12	
TYPE CONSUMER		SIZE OF ERF	BASIC vat exclusive	ADD- ITIONAL vat exclusive	BASIC vat exclusive	ADD- ITIONAL vat exclusive
1.	Residential	0-500	16.68		17.68	
	Houses	501-1000	33.44		35.45	
		1001-1500	53.48		56.69	
		1501-2000	60.16		63.77	
		2001-2500	66.84		70.85	
		2501-3000	73.53		77.94	
		First 3000 Every additional 500	6.70		7.10	
2.	Churches	0-500	16.68	14.12	17.68	14.97
	Hospitals	501-1000	33.44	14.12	35.45	14.97
	Creches	1001-1500	53.48	14.12	56.69	14.97
	Schools	1501-2000	60.16	14.12	63.77	14.97
	Sport clubs	2001-2500	66.84	14.12	70.85	14.97
		2501-3000	73.53	14.12	77.94	14.97
		First 3000 Every	6.70	14.12	7.10	14.97

		additional 500				
3.	Other:					
	3.1 Businesses	Irrespective	177.10	45.09	187.73	47.80
	3.2 Industrial	Irrespective	177.10	45.09	187.73	47.80
	3.3 Flats	Irrespective	177.10	48.45	187.73	51.36
	3.4 Hostels	Irrespective	177.10	34.49	187.73	36.56
	3.5 Boarding house	Irrespective	177.10	34.49	187.73	36.56
	3.6 Departmental	Irrespective	177.10	45.09	187.73	47.80

Examples of sewerage tariff

Size of erf	Current monthly	Proposed monthly	Additional amount	Increase
m2	Account	Account	Payable	
	R	R	R	%
500	16.68	17.68	1.00	6%
1600	60.16	63.77	3.61	6%
3500	80.23	85.04	4.81	6%
Business	177.10	187.73	10.63	6%

1.4.3.3 Refuse Removal

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of refuse removal for 2011/12:

The following recommended tariff structure for refuse removal for 2011/12 compared to 2010/11 financial year:

		10/11		11/12	
TYPE CONSUMER	SIZE OF ERF	BASIC vat exclusive	ADD-ITONAL vat exclusive	BASIC vat exclusive	ADD-ITONAL vat exclusive
Domestic	Residential houses	0-500	32.61	34.57	
	Churches	501-1000	47.67	50.53	
	Church halls	1001-1500	65.05	68.95	
	Residential erven which are being build on	1501-Above	70.09	74.30	
		Per	Bulk	Per	Bulk
		Container	Container	Container	Container
Commercial	Businesses	Irrespective	125.06	132.56	884.14
	Industrial	Irrespective	125.06	132.56	884.14

Other	Municipality	Irrespective	65.05	834.09	68.95	884.14
	Flats	Irrespective	65.05	834.09	68.95	884.14
	Old Age Homes	Irrespective	65.05	834.09	68.95	884.14
	Hostels	Irrespective	65.05	834.09	68.95	884.14
	Boarding houses	Irrespective	65.05	834.09	68.95	884.14
	Schools	Irrespective	65.05	834.09	68.95	884.14
	Hospitals	Irrespective	65.05	834.09	68.95	884.14
	Government	Irrespective	65.05	834.09	68.95	884.14
	Sport Organisations	Irrespective	65.05	834.09	68.95	884.14
	Charity Organisations	Irrespective	65.05	834.09	68.95	884.14
	Other	Irrespective	65.05	834.09	68.95	884.14
Bulk	Per load or part thereof		267.85		283.92	

Example of monthly refuse tariff

Size of erf	Current monthly	Proposed monthly	Additional amount	Increase
m2	Account	Account	Payable	
	R	R	R	%
500	32.61	34.57	1.96	6%
950	47.67	50.53	2.86	6%
1200	65.05	68.95	3.90	6%
1550	70.09	74.30	4.21	6%
Business	125.06	132.56	7.50	6%

1.4.3.4 Property Rate Tariff

Property rates are mainly used to provide funds for non-remunerative services such as the cost of governance and administration of council, financial services, sport and recreation facilities. These funds also pay for the costs of maintaining an orderly community, for an example, as far as traffic, safety, trade, industries, health, roads and parks are concerned.

Depending on circumstances at a given moment, a rate payer may make use of these collective services to a greater or lesser degree. Given this kind of collective service, the provision must be financed by a general tax unlike the specific charge of measurable services such as water and electricity.

Annexure to MFMA Circular 51 as well as Government Gazette 33016, also known as the *“Amended Municipal Property Rates Regulations on the Rate Ratios between Residential and Non-Residential Properties”* were published to achieve national uniformity regarding property taxes.

Rebate to limit the increase in rates

This is not related to the provisions of section 21 of the MPRA regarding the compulsory phasing in of rates.

The rebate to limit the increase in rates when moving from the site rating system to the system of rating the total value of the property and in the event of such increase being 40% (forty percent) or more (between the rates payable on 1 July 2008 and on the rates that were payable on 30 June 2008):

- The limit for the additional increase above 40% for the 2008/09 financial year will be 25% of the difference.
- Example if a person in 2007/08 is paying (a) R100.00
- After valuation is supposed to pay (b) R160.00
- Difference R60.00
- Rebate to absorb shock ($R60.00 - R40.00 \times 25\%$) = R5.00
- The actual amount payable will be $R100 + R40.00 + R5.00 = R145.00$
 - The limit for the additional increase above 40% for the 2009/10 financial year will be 50% of the difference.
 - The limit for the additional increase above 40% for the 2010/11 financial year will be 75% of the difference.
 - As from the 2011/12 financial year, full rates will be payable.

This rebate does not apply to an increase in rates owing to a supplementary valuation made in terms of section 78(1) of the MPRA.

Two factors determine the amount that the property owner must pay to a local authority for assessment rates: Firstly, the assessed value of the property and secondly, the effective assessment rate. Due to the implementation of the MPRA a new tariff structure has been formulated. The calculation is based on the market value of the property.

The applicable tariff on 1 July 2011 is 0,008933c (residential)(1 July 2010 – 0,008427c) and 0,017865c (1 July 2010 – 0,016854c) (business, commercial, industrial and mining) and 0,002233c(1 July 2010 – 0,002107c) (agriculture, state owned property excluding residential, public service infrastructure, public benefit organization property) in the Rand.

The table below reflects assessment rates compared to total expenditure:

Year	Operating Budget ('000)	Rates ('000)	%
2010/2011	460,882	32,307	7.01%
2011/2012	545,928	38,233	7.00%
2012/2013	600,798	40,527	6.75%
2013/2014	672,444	43,958	6.54%

The following recommended tariff structure for Property Tax for 2011/12 compared to 2010/11 financial year:

TYPE	TARIFF CODE	10/11		11/12	
		CENT IN RAND	% DISCOUNT	CENT IN RAND	% DISCOUNT
1. Improved residential stands	VA771 / 4771	0.008427	40.00	0.008933	40.00
2. Improved business stands	VA772 / 4772	0.016854	0.00	0.017865	0.00
3. Pensioners as rate policy	VA773/ 4773	0.008427	100.00	0.008933	100.00
4. Pensioners as rate policy	VA774/ 4774	0.008427	100.00	0.008933	100.00
5. State owned properties	VA775/ 4775	0.002107	30.00	0.002233	30.00
6. Improved flats	VA776/ 4776	0.008427	40.00	0.008933	40.00
7. Developed erven industrial	VA777/ 4777	0.016854	0.00	0.017865	0.00
8. Undeveloped erven	VA778/ 4778	0.016854	0.00	0.017865	0.00
9. Municipality	VA779/ 4779	0.000000	0.00	0.000000	0.00
10. Undeveloped business erven	VA780/ 4780	0.016854	0.00	0.017865	0.00
11. Permission to do business on residential erven	VA781/ 4781	0.016854	0.00	0.017865	0.00
12. Undeveloped industrial	VA782/ 4782	0.016854	0.00	0.017865	0.00
13. Undeveloped flat erven	VA783/ 4783	0.016854	0.00	0.017865	0.00
14. Private parks	VA788/ 4788	0.002107	0.00	0.002233	0.00
15. Private streets	VA789/ 4789	0.002107	0.00	0.002233	0.00
16. Agricultural fields (Macalacaskop)	VA790/ 4790	0.002107	0.00	0.002233	0.00
17. Welfare organizations, Hospitals, Clinics etc	VA791/ 4791	0.002107	100.00	0.002233	100.00

Agricultural

TYPE	TARIFF CODE	10/11		11/12	
		CENT IN RAND	% DISCOUNT	CENT IN RAND	% DISCOUNT
1. Residential	VA5771	0.002107	25.00	0.002233	0.00
2. Business, Commercial, Ecotourism, game hunting	VA5772	0.002107	25.00	0.002233	0.00
3. Pensioners as rate policy	VA5773	0.002107	100.00	0.002233	100.00
4. Pensioners as rate policy	VA5774	0.002107	100.00	0.002233	100.00
5. State owned properties	VA5775	0.002107	25.00	0.002233	0.00
6. Industrial, agricultural holdings	VA5776	0.002107	25.00	0.002233	0.00
7. Undeveloped	VA5777	0.002107	25.00	0.002233	0.00
8. Municipality	VA5778	0.000000	25.00	0.000000	0.00
9. Mining	VA5779	0.016854	25.00	0.017865	0.00
10. Welfare organization, Hospitals, Clinics etc	VA5780	0.002107	100.00	0.002233	100.00

1.5 Operating Expenditure Framework

The following table gives a breakdown of the expenditure categories for the 2011/12 financial year:

Description	Medium-Term Revenue & Expenditure Framework		
	2011/12	2012/13	2013/14
Operating Expenditure			
Employee related costs	170,034,499	182,437,771	194,318,550
Remuneration of councilors	15,180,875	16,427,720	17,443,874
Bad debts	36,784,552	41,228,998	43,942,400
Collection costs	185,000	250,000	265,000
Depreciation	58,226,865	62,476,211	71,847,670
Repairs and maintenance	46,097,459	48,918,511	52,228,493
Interest paid	-	-	-
Bulk purchases – Electricity	114,000,000	144,449,400	183,031,835
Bulk purchases – Water	18,191,250	19,191,768	20,247,316
Contracted services	27,197,200	20,604,525	20,091,713
Grants and subsidies paid	2,191,136	2,326,665	2,466,266
General expenditure	52,340,492	56,870,215	60,955,212
New connections	1,134,719	1,201,701	1,272,646
Free basic electricity	2,800,000	2,968,000	3,146,080
Free basic water	12,296,774	12,973,096	13,686,613

Free basic refuse	620,227	657,440	687,440
Free basic sewerage	194,594	205,296	216,588
Free basic assessment rates	1,908,000	2,022,480	2,143,829
Inter-departmental charges	20,142,923	22,349,507	23,134,573
Less: Expenditure recharged	(13,455,384)	(14,411,385)	(15,546,823)
Less: Amounts charged out	(20,142,923)	(22,349,507)	(23,134,573)
Total Operating Expenditure (Nett)	545,928,258	600,798,412	672,444,702

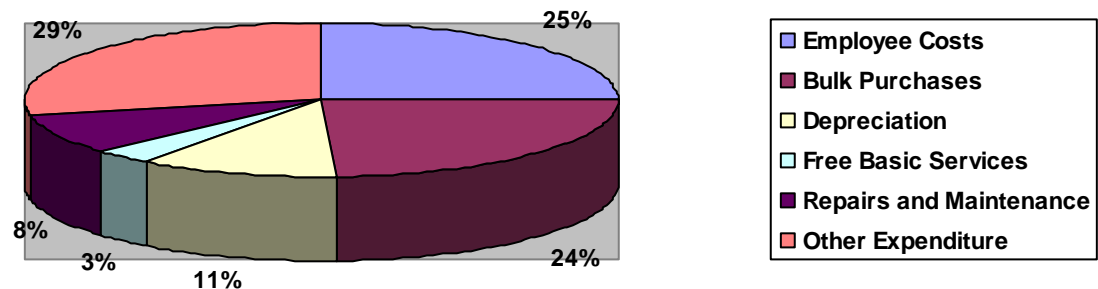


Figure 2 -Main Operational Expenditure Categories

1.6 Capital Expenditure

A breakdown of the capital expenditure for the 2011/12 financial year is attached as **Annexure H** (pages __ to ____).

1.7 Annual Budget Tables

The Annual Budget Tables:

Table A1	Budget summary – (attached as pages _____ to _____)
Table A2	Budgeted Financial Performance (revenue and expenditure by standard classification) – (attached as pages _____ to _____)
Table A3	Budgeted Financial Performance (revenue and expenditure by municipal vote) - (attached as pages _____ to _____)
Table A4	Budgeted Financial Performance (revenue and expenditure) - (attached as pages _____ to _____)

Table A5	Budgeted Capital Expenditure by vote, standard classification and Funding - (attached as pages _____ to _____)
Table A6	Budgeted Financial Position - (attached as pages _____ to _____)
Table A7	Budgeted Cash Flows - (attached as pages _____ to _____)
Table A8	Cash backed reserves/ accumulated surplus reconciliation - (attached as pages _____ to _____)
Table A9	Asset Management - (attached as pages _____ to _____)
Table A10	Basic service delivery measurement - (attached as pages _____ to _____)

Budget Related Charts and Explanatory Notes:

Supporting information, charts and explanations of trends and anomalies for each table are reflected as **table SA1 – SA 37** (attached as pages _____ to _____)

INSERT TARIFFS AND BUDGET TABLES

Part 2 – Supporting Documentation

2.1 Overview of Annual Budget Process

2.1.1 In undertaking its annual budget process, Mogalakwena Municipality was guided by the following key legislation and documents:

- Municipal Finance Management Act;
- Municipal Systems Act;
- MFMA Circular 51
- Government Gazette 32141

The municipality is always conscious of the fact that the IDP, Budget and other consultative processes have to be undertaken with credibility and honesty in order to ensure good governance and accountability. The Municipality engaged its various stakeholders in preparing this 2011/12 MTREF budget, including:

- Communities in all 32 wards
- Heads of Sector departments
- Private Sector
- Traditional Leaders
- Ward committee representatives
- Community based organizations
- NGO's
- Disabled people's groups, women, youth and pensioners.
- Community Development Workers
- Farmers associations

From these community participation and consultation process, the municipality identified and prioritized the needs of the communities. The priorities were later allocated weights and an iteration process was undertaken to find the best fit between the needs prioritized and the funding envelope, consisting of both own revenue and grant funding. As is almost always the case in any budget process, some priorities were identified that can not be funded in the 2011/12 financial year.

These priorities and their related programmes/ projects are included in the medium term IDP for funding consideration once additional funding becomes available, currently or in the future years.

In all these public consultation and participation process, including internal prioritization and negotiation processes, the Mayor played an active oversight role over the IDP and Budget as required by Section 53(1)(a) of the MFMA, which states that the Mayor of a municipality must provide general political guidance over the budget process and the priorities that must guide the

preparation of the budget. Under the influence of the Mayor, engagements were also held over a number of days with the Councillors in the budget and prioritization processes. The table below is an extract of the key deadlines relating to the Budget and IDP processes as required by Section 21(1)(b) of the Municipal Finance Management Act, 2003:

	IDP	PMS	BUDGET
July	<p>Print and distribute final approved IDP.</p> <p>Development of 2011/12 IDP Process Plan that guide the planning, drafting, adoption of the plan.</p>	<p>Conclude annual performance agreement</p> <p>Print and distribute final approved SDBIP</p>	<p>Place approved annual budget and policies on the municipal Web site</p> <p>Print and distribute final approved budget</p>
August	<p>Table to EXCO, council the IDP Process Plan for approval.</p> <p>Give notice to local community of particulars of the Process Plan.</p> <p>Consider proposals received from MEC, if any. (IDP preparation process)</p> <p>Consider comments from various stakeholders during 2010/11 IDP Roadshows</p>	<p>Place annual performance agreements on the municipal website</p>	<p>Table in council budget and IDP process plan</p> <p>Establish appropriate committees and consultation forums</p>
September	<p>Conduct stakeholder registration.</p>		<p>Implement process plan</p>
October	<p>Public consultation in terms of Tariffs, Indigent Credit, Credit Control and FBE.</p> <p>Setting new strategic agenda for the IDP in light of the new focus of Council.</p>		<p>Conclude first budget draft & policies for initial council discussions</p>
November	<p>Public consultation in terms of CBP.</p>		<p>Commence community and stakeholder consultative process, review inputs, financial models, assess impacts on</p>

			tariffs and change and consider funding decisions
December	<p>Consultative forum on mission, vision, objectives, and localized strategic guidelines.</p> <p>Horizontal and vertical alignment with District, Province and other stakeholders begins.</p>		Finalize inputs from bulk resource providers and agree on proposed price increase
January	<p>Horizontal and vertical alignment with District, Province and other stakeholders continues.</p> <p>Finalize, and publicize Mid-year and annual report.</p> <p>Departments identify of projects/programmes.</p>		Note the president's "State of the Nation Address " for further budget priorities
February	<p>Horizontal and vertical alignment with District, Province and other stakeholders continues.</p> <p>Departments identify of projects/programmes.</p>		Note National budget for provincial and national allocations to municipalities for incorporation into budget
March	<p>Prepare SDBIPs linked to the IDP strategies, objectives, KPI's and targets.</p> <p>Finalize Capital Investment Plan and Financial Plan.</p> <p>Tabling of draft IDP, SDBIPs, budgets before council.</p> <p>Publication of tabled IDP, budget and invite local communities and stakeholders for comments and inputs.</p>		<p>Table in council the annual budget and all supporting documentation</p> <p>Publicize the tabled budget</p>
April	<p>Prepare and conduct IDP/Budget roadshows.</p> <p>Prepare SDBIPs linked to IDP strategies, objectives, KPI's and</p>		Consultation on tabled budget and publicize and conduct public hearing

	targets.		
May	Exco recommends adoption of the IDP to Council. Council sitting to approve IDP, and budget.		Consideration of community views and other stakeholders and revise budget if necessary Consider approval of the annual budget
June	Submission of draft 2011/12 SDBIPs and Annual PAs to Mayor. Mayor approves 2011/12 SDBIPs and Annual PAs.	Submission of draft SDBIP to Mayor Submit draft annual performance agreement to the mayor Approval of SDBIP's	Approval of annual budget, including taxes, tariffs and policies

2.1.2 The following policies were taken into account when developing the annual budget:

- The Rates Policy
- Credit Control and Debt Collection Bylaw
- Indigent Policy
- Tariff Policy
- Investment Policy
- Supply Chain Management Policy
- Asset Management Policy and Asset Management Procedure Manual

2.1.3 Community consultation process with communities and key stakeholders:

Section 22 of MFMA stipulates that immediately after the annual budget was tabled in a municipal council the accounting officer must make public the annual budget and documents; invite the local community to submit representations in connection with the budget; and submit the annual budget to National Treasury and the relevant provincial treasury in printed and electronic formats.

Section 23(2) of the MFMA provides further that after considering all budget submissions, the council must allow the mayor an opportunity-

- (a) to respond to the submissions
- (b) if necessary, to revise the budget and table amendments for consideration by council.

The extensive consultations took place from 19 March 2011 and will end on 27 March 2011. Stakeholders who have attended the meetings and will attend the remaining meetings include ward committees, members of the community, Traditional Leaders, community, representatives from youth organizations, sector departments, mining houses and business.

The following provides an overview of the publication and public participation activities:

Councillors briefing sessions:

Councillors were briefed on 9 March 2011 before proposals were tabled to other stakeholders.

Publication of the draft budget:

The draft notices were published in local and national newspapers inviting the public to view and inspect the budget documents to enable them to submit submissions. The draft IDP/ Budget report was available at the library, community halls, tribal offices, SDA's and the MPCC's.

Ward committees and traditional authorities, organized business and sector departments were participating during the IDP representative forum meetings.

Public hearing: The stakeholders raised questions and comments on the progress made by council. The written submissions will be handed to the Manager: Developmental Services at the end of the community consultation process. The Mayor will respond to the issues raised.

Main concerns and comments raised during the consultation process

After the tabling of the draft budget to council, the concerns raised by the stakeholders on the following matters will be addressed in the final budget:

- Water and sanitation
- Roads and storm water
- Electricity
- Housing
- High-mast lights
- Health
- Land: Cemetery
- General

The following is a schedule of the 2011/12 IDP/Budget Mayoral Roadshows to be held:

DAY 1			
ACTIVITY	DATE/TIME& VENUE	STAKEHOLDERS	TARGETED WARDS
IDP/BUDGET MAYORAL ROADSHOWS	19/03/2011 10H00 Grasvlei	<ul style="list-style-type: none"> Streets and Block Committees CDW Village Development Committee (2 committee members per area) 	Ward 5
	19/03/2011 14H00 Basterpad	<ul style="list-style-type: none"> All Ward Committee Members Disabled (2 per committee) NGO (1 member per organization) Headmen (1 representative per area) Taxi Association (1 representative) 	Ward 7, 8, 9 and part of 15
DAY 2			
ACTIVITY	DATE/TIME& VENUE	STAKEHOLDERS	TARGETED WARDS
IDP/BUDGET MAYORAL ROADSHOWS	22/03/2011 10H00 Rebone	<ul style="list-style-type: none"> Streets and Block Committees CDW Village Development Committee (2 committee members per area) 	Ward: Part 1, 2 and 3, 6
	22/03/2011 14H00 Makobe	<ul style="list-style-type: none"> All Ward Committee Members Disabled (2 per committee) NGO (1 member per organization) Headmen (1 representative per area) Taxi Association (1 representative) 	Ward: Part 1, 2 and 4
DAY 3			
ACTIVITY	DATE/TIME& VENUE	STAKEHOLDERS	TARGETED WARDS
IDP/BUDGET MAYORAL ROADSHOWS	23/03/2011 10H00 Mapela Tribal Hall	<ul style="list-style-type: none"> Streets and Block Committees CDW Village Development Committee (2 committee members per area) 	Ward 13, 14, 16, 17 and 18
	23/03/2011 14H00 Bakenberg Community Hall	<ul style="list-style-type: none"> All Ward Committee Members Disabled (2 per committee) NGO (1 member per organization) Headmen (1 representative per area) Taxi Association (1 representative) 	Ward 10, 11 and part 15

		representative)	
DAY 4			
ACTIVITY	DATE/TIME& VENUE	STAKEHOLDERS	TARGETED WARDS
IDP/BUDGET MAYORAL ROADSHOWS	24/03/2011 17H00 Mayor's Parlour	<ul style="list-style-type: none"> Farming Community Business 	Ward: Part 12, 31 and 32
DAY 5			
ACTIVITY	DATE/TIME& VENUE	STAKEHOLDERS	TARGETED WARDS
IDP/BUDGET MAYORAL ROADSHOWS	26/03/2011 14H00 Moshate Community Hall	<ul style="list-style-type: none"> Streets and Block Committees CDW Village Development Committee (2 committee members per area) 	Ward 19 – 25
	27/03/2011 09H00 Aboo Tayob Hall	<ul style="list-style-type: none"> All Ward Committee Members Disabled (2 per committee) NGO (1 member per organization) Headmen (1 representative per area) Taxi Association (1 representative) 	Wars 12, 26 - 32

2.2 Overview of Alignment of Annual Budget and IDP

The IDP of the municipality must be reviewed annually in terms of section 34 of the MSA and section 21 of the MFMA.

2.1.1 Vision of the Municipality

The vision of Mogalakwena Municipality is ***to be community-oriented local authority committed to sustainable development and affordable service provision.***

2.1.2 Details of proposed amendments to the Integrated Development Plan

A new format has been implemented in the compilation of the draft IDP 2011/12 and new needs that emerged after June 2010 have been included.

The draft 2011/12 IDP was presented to council together with the provisional draft MTREF 2011/12 on 16 March 2011.

2.1.3 Revenue, operating expenditure and capital expenditure aligned to IDP

The Developmental services together with Finance department initiated that the first priority must be allocated the higher percentage of funding.

The prioritization criteria and their respective weights for 2011/12 are as follows:

Source of funding	MIG	Own funding	Equitable Share
	%	%	%
Roads and storm water	51.67	0	46.30
Water and Sanitation	47.66	5.62	48.15
LED	0	0.24	0
Land and Cemeteries	0	0	0
Electricity	0.66	49.78	4.32
Institutional	0	0.07	0
Waste Management	0	13.69	0
Other	0	30.59	1.23

2.3 Measurable performance objectives and indicators

The measurable performance indicators and objectives for revenue and expenditure (both capital and operating) will be contained in the Service Delivery Budget Implementation Plan (SDBIP) of the municipality and the Section 57 managers. The SDBIP will have to be designed such that it gives effect to the implementation of the budget, with quarterly performance targets. The SDBIP will be submitted to the Mayor immediately after the budget has been approved. The time-frames as contained in Section 53(1)(c) of the MFMA will be complied with.

2.4 Overview of budget-related policies

The municipality acknowledges that for the budget to be credible and balanced, it must be supported by policies that guide the revenue and expenditure estimates. To ensure this, the budget related policies have been reviewed to take the socio-economic realities of the communities into account.

2.4.1 Debt Collection and Credit Control Policy

The Debt Collection and Credit Control By-Laws have been amended as follows:

Due to enormous problems being experienced with tenant accounts, the policy now provides that only one account be allowed in the name of the owner. It is proposed that current tenant accounts be phased out over a period of a year.

The amended Debt Collection and Credit Control By-Law is attached as pages ____ to ____.

2.4.2 Indigent Policy

The Indigent Policy has been amended as follows:

Clause 9 on page 5 of the policy changes from reading as follows:

“The title of this policy is indigent policy and the commencement date is on the 01 July 2010”

to reading as follows:

“The title of this policy is indigent policy and the commencement date is on the 01 July 2011”

The amended Indigent Policy is attached as pages ____ to ____.

2.4.3 Rates Policy

The Rates Policy has been amended as follows:

Clause (k)(aa) on page 18 of the policy changes from reading as follows:

“the joint income of that person and his/her spouse, if any, for the year ended 20 June may not exceed R40 450 (fourty thousand four hundred and fifty Rand) per year or such higher amount as may be determined in the municipality’s budget.”

to reading as follows:

“the joint income of that person and his/her spouse, if any, for the year ended 20 June may not exceed R44 500 (fourty four thousand five hundred Rand) per year or such higher amount as may be determined in the municipality’s budget.”

The amended Rates Policy is attached as pages ____ to ____.

2.4.4 Tariff Policy

There are no amendments to the Tariff Policy.

The policy is attached as pages ____ to ____.

2.4.5 Supply Chain Management Policy

The Supply Chain Management Policy has been amended as follows:

The content herein will repeal the existing section/clauses to the policy and new clauses will be factored in as new clauses and augmentations.

Preamble

- The version year has been included at the bottom page of each page of the policy.

1. The following definitions have been added to the definitions in the Policy:

(1) Definitions

- Historically disadvantaged Individual (HDI) means a South African citizen who:
 - Had no franchise in the national elections prior to the introduction of the Constitution of the Republic of South Africa 1983(act 10 of 1983) or the Constitution of the Republic, 1993(act 20 of 1993)(“the interim Constitution”)And/or
 - is a female and/or
 - has a disability

Provided that a person, who obtained South African citizenship on or after the coming into effect of the interim Constitution, is deemed not to be an HDI.

2. The following sentence(s) are added under clause 9.

- “The specification and evaluation committees must preferably be composed by the same members and must be approved by the CFO on request from the procuring Department and should contain officials as per clause 9(a)(i-iii) of the existing policy”.
- “The inclusion of a legal officer in Bid Specification Committees”.
- Clause 9(c) to add under note* “the adjudication committee to be appointed in writing and must be cleared on all level of confidentiality and must declare their interests.
- Clause 9(2) (v) to be added as “all the applicable policies, practice notes and circulars from CIDB (for construction works) and National Treasury should be implemented when evaluating bids.

3. Clause 10 of the existing policy to be added and updated as per below:

- Clause 10 (b)(b)(iv) to be augmented asSupply Chain Management Policy of the Municipality and as per Preferential procurement Policy Framework Act 5 of 2000(PPPFA).
- Clause 10(2)(a)(iv) to be added as “ re-evaluate formal quotation/bids in cases where bid evaluation recommendations were refereed back by the Bid adjudication Committee.

4. Clause 14 to be added and amended as per below:

- Clause 14(i) third row (R30 000 –R 200 000) – add – “CFO to recommend for approval by the MM”.
- Clause 14(i) forth row (R200 000 – above) – add “ the Bid Adjudication as composed under 9 © above to adjudicate and recommends to the MM for approval”

5. Clause 15 amended as follows:

- 15(a)(iii) add “.....if Vat register” at the end of the sentence.

6. Clause 16 changes as per below:

- 16(2) 9second sentence to read “prospective providers must be allowed to submit application for new listing once a year as per 16. 1. b above.

7. Clause 18 be added as follows:

- Add (f)... “Subsection C does not apply to impossibility of finding quotation due to late submission and poor prior planning.
- Delete “paragraph 5.2.4.4 and add paragraph 16.1.1 – 16.1.3,

8. Clause 20 of existing policy to be augmented as below:

- Clause 20(7) Add. “Formal written quotations to be valid for 30 days and competitive / open bids not more that (90) ninety days from the date of closing.
- Clause 20(9). Add a note*... “clause 20(9)(1)(a) After technical evaluation, Bids should be screened for administrative compliance and for all the potential bidder or shortlisted based on price and functionality within two(2) working days after receipt of such notice.
- Add a clause 20(iv) to read ...” the Evaluation committee must determine whether the disqualifying factor for administrative non-compliance is procedurally fair, reasonable and lawful administrative action.
- Add a clause 20(v) to read... “The committee may disqualify the bidder, if the bidder did not comply with numerous administrative requirements or where it

is clear to the committee that such bidder will not be able to rectify such non-compliance”.

- Add a clause 20(vi) to read “Communications with such bidders should be in writing, in cases where the bidder did not indicate postal address or fax, the bidder must where practical be telephoned and instructed to collect the letter”
- Failure to submit the required documents as per Evaluation Committee notice referred to herein(Original tax clearance, Company registration, CIDB registration, updated Municipal rates and taxes, Audited financial statement and any other required document) within two days of request, the bid will be disqualified.
- Clause 20(13) add (b) to read ... “when a tender is cancelled by the Municipality and a fee was charged on documents, bidders must be given updated or new documents free of charge provided they have prove that they have purchased the documents at first

9. Clause 27 of existing policy

- Clause 27(1) add – clause 27(4) to read ... “Deviations should be a measure of last resort and memo motivating the urgency or emergency of the matter should be approved by the manger of the division or the CFO for reasons leading to such urgency or emergency to warrant a deviation.

10. Clause 30 of existing policy to added as follows:

- Clause 30(g) to be added to read “ interim / provisional stocktaking to be done mid-year(financial year) before the annual stocktaking.

11. New clauses

Records keeping

- Add clause 50(1) Record must be kept by the Municipality of all goods and services procured.
- Add clause 50(2) to read “SCM will be held responsible for the recording of the following information / documents:
 - a) Bid documents issued per bid invite,
 - b) List of bids received per bids number,
 - c) Formal written quotation and their status,
 - d) Formal complaints received from end users, bidder or any other persons regarding SCM processes,
 - e) All cases of fraud or corruption reported
 - f) Gifts register for SCM
 - g) Stock take reports

Reporting

- Add 51(3) (a) All formal quotations / bids awarded above R100 000.00(Vat incl) must be reported to National treasury on monthly basis.

- Add 51(3) (b) all deviations with supporting approved memo should be reported quarterly to the accounting officer.
- Add 51(4) to read “clear reporting templates should be used and correctly populated with accurate data to be a true reflection of the content of awards.

The amended Supply Chain Management Policy is attached as pages ____ to ____.

2.4.6 Investment Policy

There are no amendments to the Investment Policy.

The policy is attached as pages ____ to ____.

2.4.7 Asset Management Policy

There are no amendments to the Asset Management Policy.

The policy is attached as pages ____ to ____.

2.4.8 Asset Management Procedure Manual

There are no amendments to the Asset Management Procedure Manual.

The procedure manual is attached as pages ____ to ____.

2.4.9 Veriment, adjustment budgets, and unforeseen and unavoidable expenditure

The mid-year budget and performance review, coupled with the monthly budget statements are considered key documents to assist with the preparation of an adjustment budget and forthcoming budget.

The 2011/12 medium term budget should only be amended by:

Departmental Managers authorizing offsetting operating budget variations within the votes delegated to them, essential allowing variations within the department budget ‘groups’ but not across budget groups. Therefore, for example, manager could transfer allocations within an expenditure group such as ‘Employee costs’. It should be noted that each capital project also represents a vote requiring Council approval to amend.

A mid-year review by the Accounting Officer in accordance with the MFMA, due for completion by January, which would possibly culminate in an Adjustment Budget being presented to Council in the month following the review, if required.

An Adjustment Budget in accordance with the provision of section 28 of the MFMA brought to Council for approval in circumstances where extraordinary events require fundamental and urgent change to budget.

Section 28 of the MFMA, Act No. 56 of 2003 provides as follows:

“(1) A municipality may revise an approved annual budget through an adjustments budget.

(2) An adjustment budget-

- (a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
- (b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*
- (c) may, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;*
- (d) may authorize the utilization of projected savings in one vote towards spending under another vote;*
- (e) may authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;*
- (f) may correct any errors in the annual budget; and*
- (g) may provide for any other expenditure within a prescribed framework*

(3) An adjustment budget must be in a prescribed form.

(4) Only the mayor may table an adjustment budget in the municipal council, but an adjustment budget in terms of section (2)(b) to (g) may only be tabled within any prescribed limitations as to timing frequency.

(5) When an adjustment budget is tabled, it must be accompanied by –

- (a) an explanation how the adjustment budget affects the annual budget;*

- (b) a motivation of any material changes to the annual budget;*
 - (c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and*
 - (d) any other supporting documentation that may be prescribed.*
- (6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.*
- (7) Sections 22(b), 23(b) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustment budget.”*

Unforeseen and Unavoidable Expenditure

Section 29 of the MFMA, Act No.56 of 2003 provides as follows:

“(1) The mayor of a municipality may in emergency or other exceptional circumstances authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

(2) Any such expenditure –

- (a) must be in accordance with any framework that may be prescribed,*
- (b) may not exceed a prescribed percentage of the approved annual budget,*
- (c) must be reported by the mayor to the municipal council at its next meeting, and*
- (d) must be appropriated in an adjustment budget.*

(3) such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorized and section 32 applies.”

2.5 Overview of budget assumptions

2.5.1 Review of external factors

Population migration

Population migration as more houses are built especially RDP for indigents which require the increase of bulk services and the increase of free basic services.

Employment

In the current economic climate the employment rate has increased slightly but it has not had a huge impact on the payment rate.

Development of Businesses

There is a slight progression in the development of new businesses at this stage due to the improvement of the economic climate.

New residential areas

Extension 12 was developed in the 2008/2009 financial year and did not sell very well in the 2009/10 financial year. There has been an improvement in the number of stands sold in 2010/11 and it is anticipated that this number will continue to grow progressively in the 2011/12 financial year.

2.5.2 General inflation outlook and its impact on municipal activities

The inflation rate has been significantly higher in the previous year but has been on the decrease in the 2010/11 financial year.

2.5.3 Interest rates for borrowing and investment of funds

The municipality has no borrowing obligations. The interest rate for investment of funds is lower than previous years which will affect the interest that the municipality generates on investments.

2.5.4 Timing of Revenue Collection

In the current economic climate it is anticipated that it will still take longer to collect revenue and bad debts will increase, but for the municipality to be sustainable a vigorous debt collection campaign will have to be embarked on.

2.5.5 Growth or Decline in Tax Base of the Municipality

There was no significant growth in the tax base as the MPRA has been phased in. The valuation roll was finalized in December 2007.

2.5.6 Collection Rates

The average collection rate for the past financial year was 73% but should be improved to be sustainable on the long-term.

2.5.7 Price Movements

The increase in the purchase price for bulk water from Lepelle Northern Water is 10.2% and from Eskom from provisionally increase for bulk electricity is 26.71%.

2.5.8 Average salary increases

A 8% increase on salaries was budgeted for but the final increase will be CPI plus 2% as per SALGBC.

2.5.9 Industrial relations, climate reorganization and capacity building

Due to the economic climate, there is not any expansion in the industrial area but if the establishment of the steel factory would materialize, it will be enormous injection for the area in respect of services and job creation.

2.5.10 Trends in Demand for Free or Subsidized Basic Services

There is a growth of 1.4% in the population which is having an effect on the households.

2.5.11 Changing Demand Characteristics

The demand exceeds available resources which the municipality cannot meet.

2.5.12 Trends in demand for Free or Subsidized Basic Services

Higher demand for free basic services resulted therein that the municipality cannot afford to provide free basic electricity to all its consumers. The free basic services were phased out for non-indigent consumers in the 2010/11 financial year. All consumers still receive 6kl of free basic water.

2.5.13 Impact of National, Provincial and Local Policies

The National Treasury Circular 51 (Section 3.3) indicated that the Department of Cooperative Governance and Traditional Affairs intended to introduce further amendments to the Municipal Property Rates Act to improve its implementation.

Mogalakwena municipality as a result, paid particular attention to ensuring that the property rates charges to key economic sectors, such as agriculture, remain affordable.

2.5.14 Ability of the Municipality to Spend and Deliver on the Programme

Capital projects will be implemented from grant funding but no funds are available for sufficient maintenance which results in the deterioration of infrastructure.

2.5.15 Implications of Restructuring and other Major Events into the Future

Loss of electricity income when Reds take over the service will have a major impact of the financial viability of the municipality.

2.6 Overview of budget funding

Section 18(1) of the MFMA requires the budget of a municipality to be funded from-

- (a) realistic anticipated revenue to be collected;
- (b) cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- (c) borrowed funds, but only for the capital budget referred to in section 17(2) of the MFMA.

Section 18(2) of the MFMA requires the revenue projections in the budget to be realistic, taking into account-

- (a) projected revenue for the current year based on collection levels to date; and
- (b) actual revenue collected in the previous financial year.

This budget has been prepared taking into account the requirements of the abovementioned section. Revenue was estimated using a collection rate of 85% to billings. The capital budget was limited to the gazetted funding. An adjustment budget will be compiled for council consideration once more funding becomes available from either internal and/or external sources.

2.6.1 Investments

Investments held represent cash backed accumulated surpluses and the unspent conditional grants and receipts.

The Table below indicates the investment particulars by maturity as at 18 March 2011:

Institution	Investment	Monetary value
		'000
ABSA	Short term	50 000

FNB	Short term	45 000
Nedbank	Short term	50 000
Standard Bank	Short term	58 000
Total		203 000

The total amount invested externally as at 18 March 2011 amounts to R203 million which is R42 million more than the previous financial year.

The interest earned from these investments would be utilized to fund the operating budget. The capital replacement reserve is also backed by the investments.

Supporting **Table SA 16** is attached as page _____ to _____.

2.6.2 Estimated debtors collection levels

A debtor's collection rate of 85% of levied amounts is estimated for the 2011/12 financial year.

2.6.3 Planned proceeds from sale of assets

The municipality developed 1200 residential stands for resale in Extension 12. To date the municipality has sold 136 stands. Mechanisms will be implemented to sell the remaining stands on hand.

2.6.4 Planned proceeds from lease of assets

Proceeds from rental of facilities and equipment are estimated at R778, 735.00.

2.6.5 Planned use of bank overdrafts

Mogalakwena has no plans to utilize bank overdrafts in the 2011/12 financial year.

2.6.6 Use of previous year's cash backed accumulated surpluses

After the compilation of the 2010/11 financial statements, if there is any cash surpluses they will be addressed in the adjustment budget 2011/12.

2.7 Expenditure on allocations and grants programmes

Provision is made in the 2011/12 budget for the following statutory and reserve fund contributions:

- Capital Replacement Reserve : R 21,055,410.00
- Provision for bad debt reserve : R 36,784,552.00

Contributions in total amount to R57, 839,962.00 and this represents 10.6% of total operating expenditure. The working capital reserve makes provision for non-payment of services.

Allocations and grants made by the municipality

The following allocations and grants are made by the municipality for 2011/12:

Discretionary fund Mayor	: R 1,529,028.00
Free burials paupers indigent	: R 39,108.00
Free Basic Services for indigents - Water	: R 12,296,774.00
- Electricity	: R 2,800,000.00
- Sewer	: R 194,594.00
- Refuse	: R 620,227.00
- Assessment Rates	: R 1, 908,000.00

2.8 Councillor and board member allowances and employee benefits

The following information with regard to the salary budget which forms part of the operating budget must be taken into consideration by council before approving the budget:

- Provision for a 9% increase was made for councilors and 8% for officials;
- All new positions were budgeted for on the beginning scale of the post level

Disclosure of salaries and allowances and benefits is attached as supporting **Table SA 22 and 23** pages _____ to _____.

2.9 Monthly targets for revenue, expenditure and cash flow

The disclosure on monthly targets for revenue, expenditure and cash flow is attached **Table SA 25 to SA 30** as pages _____ to _____.

2.10 Annual budgets and SDBIP

Section 53(1)(c)(ii) of the MFMA Indicates that the mayor of a municipality must take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget.

The SDBIP will be submitted to the mayor immediately after the budget has been approved. The time-frames as contained in Section 53(1)(c) of the MFMA will be complied with.

2.11 Contracts having future budgetary implications

Contracts having future budgetary implications are reflected in **table SA33** attached as pages _____ to _____.

2.12 Capital expenditure details

A combination of grant funding and own funds will be used to fund the capital budget. The detailed capital budget over the 2011/12 MTREF is attached as **Annexure H** (pages _____ to _____).

2.13 Legislation compliance status

This budget has been prepared in accordance with the requirements of the Municipal Finance Management Act, the Municipal Budget and Reporting Regulations and the Municipal Systems Act. The municipality has attempted to comply with the new budget format when compiling the 2011/12 to 2013/14 MTREF.

2.14 Other supporting documents

Circular 54 and 55 as issued by National Treasury have been attached as pages _____ to _____.

2.15 Municipal Manager's Quality Certificate

Quality certificate

I Shella William Kekana, Municipal Manager of Mogalakwena Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : _____

Municipal Manager of : Mogalakwena Municipality (LIM367)

Signature : _____

Date : _____